

**ECONOMIC SECURITY AS A PHENOMENON AND CONCEPT****Saulius KROMALCAS**

Mykolas Romeris  
Universitetas, Ateities g. 20,  
LT-08303 Vilnius  
[saulius.kromalcas@gmail.com](mailto:saulius.kromalcas@gmail.com);

**Žaneta SIMANAVIČIENĖ**

Mykolas Romeris  
Universitetas, Ateities g. 20,  
LT-08303 Vilnius  
[zasiman@gmail.com](mailto:zasiman@gmail.com)

**Daiva BESAGIRSKAITĖ**

Lietuvos inovacijų centras,  
Mokslininkų g. 6A, LT-08412  
Vilnius  
[daiva.besagirskaite@gmail.com](mailto:daiva.besagirskaite@gmail.com)

**Abstract:** The ever-changing geopolitical situation has led to a new approach of the world's countries towards political, economic and military activity at the beginning of the relation. In the context of all these phenomena, one of the priorities is national security, which is inextricably linked to economic security. The paper aims to examine the conception and structure of economic security as a phenomenon and to reveal the components of economic security that directly affect the competitiveness of the state and the region.

**Keywords:** economic security, economic security concept, economic sovereignty.

## **Introduction**

Economic security is the various forces expression that determines the country's economic policy, reflecting the real country's internal policy situation and its integration degree in the international political-economic context. Economic security definition is a relatively young component of economic theory that underlies a state's national security. National economic security sufficient level is directly related to a stable economic situation, where a high living standard is ensured, disposal of sufficient assets are available to protect the existing resources, citizens, institutions, enterprises, natural resources, state territory from possible internal and external threats.

Economic security objects can be the state, regions, territories, institutions and organizations, society or citizens. The main subject is the state performing its functions in the economic security area.

**Scientific problem** - what are economic security theoretical principles.

**The aim of the article** is to examine economic security conception, researchers' definitions from theoretical aspects, to reveal the economic security components.

To achieve the research aim **follows tasks** are:

1. To examine theoretical approaches to economic security phenomenon.
2. To analyze and generalize the economic security phenomenon conception.
3. To reveal the economic security components.

The paper will analyze and summarize scientific literature to determine the country's economic security concept and structure.

### **Approaches to the economic security phenomenon: historical experience**

In the various countries' economic literature, the term "economic security" is relatively young by the standards of historical science. Traditionally, economic security is considered the most important economic system's qualitative feature. A. Kozlova (2009), who examines the conception, states that the first ideas about economic security as a state of economic system's social change are mentioned in the ancient Eastern philosopher's writings. Initially, "security" was understood only as of the physical security of the state's territory against the external other states' armed invasion. Capitalist relations and the member state's formation in the era of the 17th - 18th centuries, in European civilization it was created and developed the idea that the primary state's goal is the general prosperity and security. At that time, security meant "a state, a peaceful situation manifested

by the real danger's absence, as well as the material organizational structure existence which helps to create and maintain that situation." However, state security cannot be realized without economic security. In the 18th century, the perception of state security in advanced European countries was inseparable from its economic prosperity. The active debate on national economic security only began in the 1930s and 1940s., after the free competition era and the centralized regulation process of the market economy beginning.

National economic security has become an essential national security element, and the primary state objective in this area is stable economic growth. According to many authors' approaches, economic security has traditionally been considered as a corner part of the qualitative system. Current definition understanding was formed and spread in 1934. In the so-called Great Depression, when the newly elected US President F. Roosevelt used the phrase "national economic security" in his message to the nation.

A.King (2018) cites M. Mastanduno (1998), who says after World War II, the Truman administration sought to create the concept of "economic security," which was to "create an open world economic course that would serve the strategic goals of United States". US goal was to create an open economic order as well as to ensure maritime freedom, free trade, equal access to raw materials and international economic cooperation. In Japan, after the defeat of World War II, the concept of „economic security" also developed at a similar time. Still, according to J.W.M. Chapman (1998) after Japan's defeat in World War II, the country needed a new approach to protecting the state and the ability to find access to the necessary raw materials and export markets. One of the first results received in the 1970s - 1980s. - the new concept of "Comprehensive security" (sōgō anzen hoshō) creating. That based on Japan's dependence on the outside world for access to natural resources and markets and to develop security.

In the Russian Federation, the conception was inserted into the scientific language in the early 1990s as the country transitioned to a market economy system when the divergence of Russian economic interests within the country led to a sharp increase in economic dependence on the outside world. The economic security conception development was started in 1993. The working group consisted of the Russian Academy of Sciences scientists and specialists and of various institutes and university representatives.

In Lithuania, this term was examined after the 1990s and later incorporated into the Lithuanian National Security Strategy. Economic Security The National Security Strategy (2002) defines as the country's consistent economic growth, enabling facilitate conditions to the all economic fields development, building preventive measures to reduce the shadow economy, ensuring a higher living standard for its citizens and creating a competitive economy (art. 5.231).

According to B. Taylor and B. Luckham (2006), economics and security are directly connected because states can use economic sanctions or other economic instruments to achieve broader strategic goals. On the other hand, states can use security policies to pursue their economic goals, such as engaging in expansionist military behavior to gain access or control of the territory and resources.

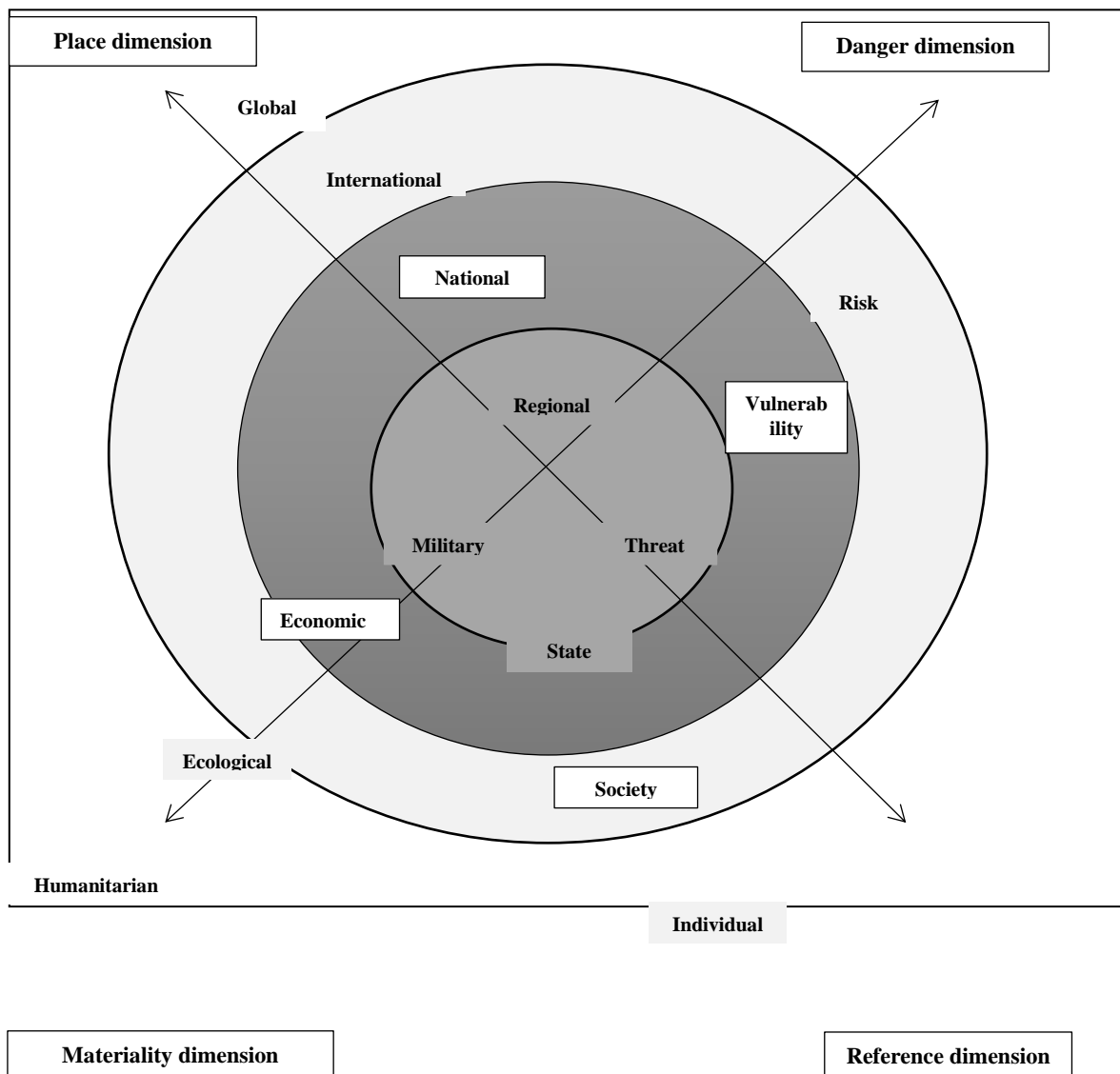
The links between economics, stability, and security were defined differently before, during, and today of the Cold War. Since they were adapted to the successive stages of international relations. These differences have led to different security and economic models. In the past, the security model was based on a balanced confrontation between forces or superpowers and their allies. At present security is based on interdependence and cooperation between states, reinforced by globalization, liberalization and institutional structures. In the past, the economy relied on a national and largely autonomous model, which naturally excluded the significant possibility of external cooperation. The security model was more often based on solid (military) security dimensions, while the soft (non-military) dimensions played a limited role. In the modern international relations period, the roles of both soft and hard dimensions have changed. Remarkable, there are two levels: international and national.

### **Theoretical aspects of the country's security conception**

Security policy analysis begins with an understanding of the national security concept. Bock and Berkowitz (1966) defined national security as "the nation's ability to protect its internal values from external threats". From Haftendorn (1991) point of view, there is no single concept of security: national security, international security, and global security are related to different issues and come from different historical and philosophical contexts.

In the middle of 2017 December, President Trump released US national security strategy. This strategy is a very matter document providing key government leaders with guidance that should help them perform key functions in federal departments, agencies, and other government organizations over the next few years. The volume of the document is 55 pages, outlining the essential statements that the National Security Council considered particularly important to the United States. The President hopes to: 1) protect 2) promote US prosperity, 3) intensify peacekeeping 4) advance US influence in the world (NSS, 2017, p. 4).

The security concept depends on a constantly changing context. According to Christopher Daase, looking at the security concept from a historical perspective, the process is expansive and goes in several directions (see Figure 1).



Source: Based on Ch. Daase (2011)

**Figure 1. Expanded security concept**

The origins formed in a peaceful environment, where the social emancipation process is supported. This environment, as the basis for the primary security, allows the formulation of broader security needs beyond national security. That is why, as Ch.Daase reasons in his publication, the state becomes a victim of its own success. This conclusion can be drawn from the fact that when the

basic needs are met, additional desires always arise. This also applies to the field of security. Since the variety of security conception is developing, subject to legal regulation becomes more expedient.

### **Economic security conception**

In the combination of the words "economic security", there are two logical terms "economic" and "security". While the term "economy" as a state, organization, structure, and economic management does not require explanation, the second term in the economic context is unclear and requires additional justification regarding the place and role in the phrase of "economic security".

J. Bagdanavičius (2002), who broadly deals with economic security in the context of national security and treats it as the joint between the state institutions and the country's economic situation, where necessary national interests are assured, purposeful social policy, as well as sufficient economic and defense resources are ensured.

Accordance with R. Šimašius and R. Vilpišauskas (2005), the concept of economic security is multiplicity. Economic security aspects that are related to the economic security of the state's citizens' majority, not single individuals or relatively small groups of them, should be considered as state economic security. Economic security is identified with different phenomena:

- stability of state economic power and ability to finance defense needs;
- State's supply of "strategic products" (energy, etc.);
- State's foreign trade diversification;
- independence from major (dominant) players in the international economy;
- security against economic espionage;
- good macroeconomic performance;
- property security;
- individual's social security, such as a certain level of living income;
- employment, secure jobs and corporate profits.

A. Makštutis (2006) defines the object of this research as a certain state of economic and government institutes, which ensures the protection of national priorities, guarantees a harmonious, socially-oriented whole of the country's development, as well as sufficient economic and defensive potential, despite internal or foreign positive - negative processes development. The scientist identifies the state's economic security with its:

- economic power stability and ability to finance defense needs;

- state's "strategic products" (energy, etc.) sourcing;
- foreign trade diversification;
- independence from dominant players in the international economy;
- security against economic espionage;
- good macroeconomic performance;
- property security;
- the individual's social security, a certain level of income necessary for his livelihood;
- employment, secured jobs;
- economic efficiency.

According to A. Grebliauskas, the definition of economic security is formed as follows: It is the state's and state entities ability (political will, opportunity, knowledge) to maintain the balance between economic objects and systems, which is a basic condition (necessary and sufficient) for the state's and state's entities development.

V. Pukelienė and N. Čepaitienė (2007) also provide a comprehensive analysis of the economic security conception. As one of the exclusive definitions of economic security, these authors present the alternative proposed by H. E. S. Nesadurai (2005) - three conditions are required for minimum economic security:

1. income-expenses proportion is indispensable for the minimum needs of the individual and the family;
2. market integration degree;
3. equitable allocation and social equality.

The authors summarize the following definition: economic security is the totality of the country's economic system responses to external and internal factors that determine the country's economy functioning and development.

In order to structure the "economic security" concepts, this article's authors have presented the latter in the table.

Table 1. Economic security definitions

Definition of "economic security" concept	Author
The state of the economic system that allows it to develop dynamically, effectively solve social problems, and in which	Abalkin L. (1994)

the state has the ability to conform and implement independent economic policies.	
Economic policy instruments which are used for purposes of aggression trade and investment boycotts, the restriction of energy supplies.	Cable, V. (1995)
The nation (state) can sovereignly determine, without interference and pressure from outside, the ways and forms of their effective development in a state.	Olejniov E.A. (1997)
State and its entities ability (the political will and ability) to keep the economy facilities – systems in a balance, that is necessary and sufficient condition to develop the state and its entities evolution.	Grebliuskas A., Miliauskas G. (2008)
A preparation state of the economy for ensuring decent conditions for living and developing the personality, the social-economic stability and the political military capability of the society and the country in order to eliminate internal and external threats.	Hacker, J., et al. (2010)
A never ending (and not a standstill) process, evidencing that (personal) economic security exists, and is fixed and stable, directly and indirectly exert influence to the macroeconomic environment, which becomes, for the sake of confidence, even more stable, secure and consecutively reproduces the economic security feelings through “hard macroeconomic indexes” (inflation rate, employment) back to the micro economic level.	T. Sviderske (2014)
Economic security is a priority element of modern national security that can occur in any area of modern society, like energy, transport, communications, military, food, and etc., cannot exist outside the domestic economy.	Tamošiūnienė, Munteanu (2015)
Economic security is the consistent country's economic growth, which facilitates the development of all the economy fields, preventive measures aimed at reducing the shadow economy, ensuring a higher living standard for its citizens and a competitive economy creating.	Republic of Lithuania National Security Framework Strategy (1996)



R. Šimašius and R. Vilpišauskas (2003) point out that economic security, like any other sphere of functioning of society, has to be examined from two perspectives - "sovereign" (holistic) and individualistic. The holistic approach treats economic security as the sovereignty of the state and identifies it with state security when protecting against external threats. This concept prevails examining international relations, especially in the neorealist's works, since international relations themselves are "relations between states and other collective joints". Individualists believe that economic security must guarantee the individual's security against economic threats, pointing out that: first, even decisions made on behalf of the state are decisions of the individuals, for the state itself acts through individuals (the theory of public choice); second, economic relations involve individuals and the entities they create, not the state or its institutions; and third, the state serves its citizens. As can be seen, it can be referred to their summarized claim that the state's economic security is the derivative of the economic security of the state's citizens. (Šimašius, Vilpišauskas, 2003).

### **Economic security phenomena components**

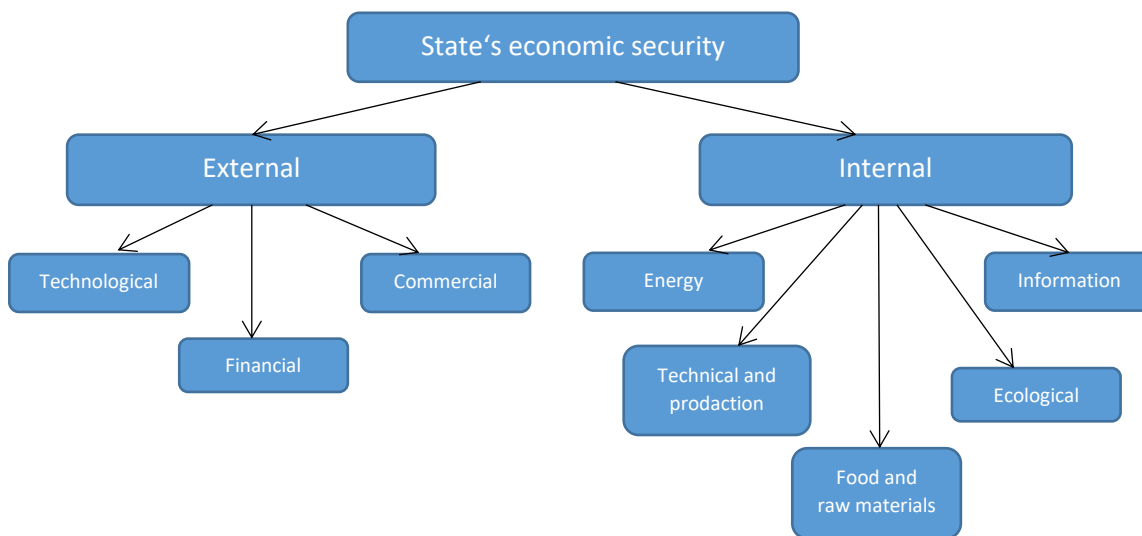
Economic security is the state of the country's economy, which allows ensuring its stable functioning under the influence of internal and external factors, satisfying sufficient social needs, necessary defense capabilities, protection of national interests. Economic security ensuring is creating the conditions to prevent irreparable damage to a state's economy from internal and external economic threats.

According to Melnik (2008), one of the essential factors for ensuring the modern society's well-being and creating social welfare, maintaining political stability and the priorities of the state economic policy is the economic modernization. The flexible state's economic policy determines the efficiency of solving society's economic problems, creating the measures to solve problems of social development, health care, culture, education and science, law and order, nature security and nature source use, national security and defense, foreign relations development and other social life areas specific issues.

According to Tatul Melsik Mkrtchyan (2015) the analysis of the literature, the state's economic security system can be divided into internal and external subsystems, which have their own components:

- external security subsystem components - technological, commercial, financial;

- internal security subsystem components - technical and production, food and raw materials, energy, environment, information (see Figure 2).



Source: Tatul Melsik Mkrtchyan (2015)

**Figure 2. Key state's economic security components**

The author explains the external components following:

*The technological* state's economic security component is characterized by active participation in international scientific and technological progress, which guarantees state capabilities.

*The commercial* state's economic security component reflects the potential for diversifying the country's export and import trade structure.

*The financial* state's economic security component can be described as the ability of a country to implement an independent monetary policy and to ensure the stable functioning of its financial system by repaying international loans and obtaining, distributing, using and repaying foreign investment under adverse external and internal conditions.

Internal components:

*The industrial and technical* component importance in the state's economic security determines the production and technical feasibility of extended economic reproduction. It refers to the ability of an economy to fulfill the needs of society, even when favorable external or internal conditions are disrupted. Failure to function with this state's economic security component increases dependence on other countries.

*The food and raw materials* component of the state's economic security implies the necessary economic security of food and raw materials. Food and raw materials supply is one of the most

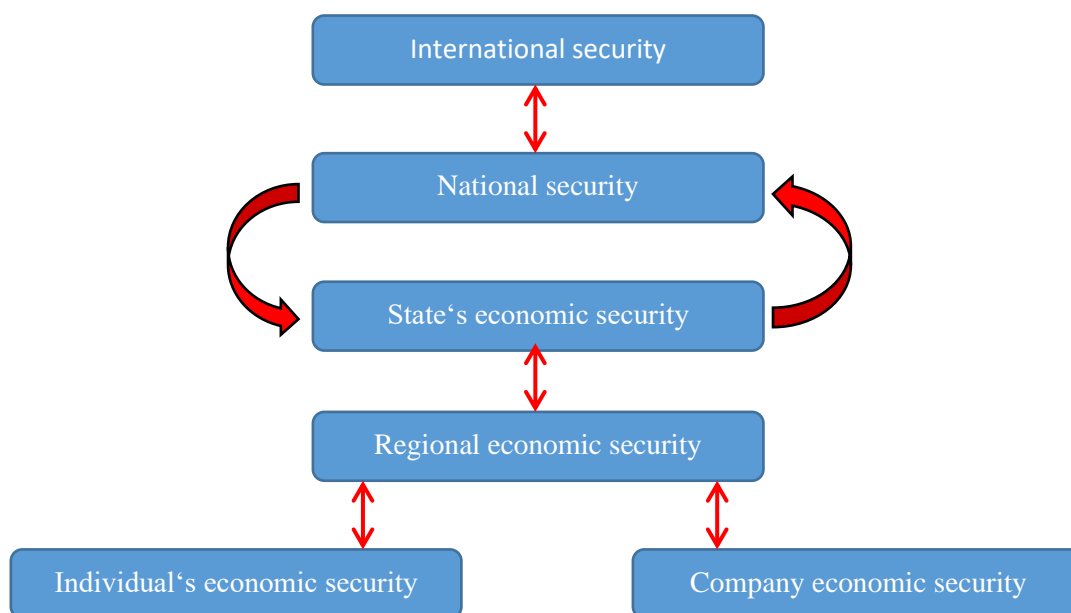
important state's economic security components, and many countries have laws defining minimum standards for food security.

*Energy security* as a component of the state's economic security means a stable supply of sufficient energy for domestic consumption. To this end, a consistent analysis shall be carried out in all countries to identify the circumstances which could adversely affect the functioning of the state's fuel and energy system.

*The ecological* state's economic security component is its ability to prevent and close the gap between public interest and environmental protection in a timely manner. The environmental pollution problem is closely linked to human economic activity and it is essential for ecological security to minimize the anthropogenic impact on the ozone layer, flora and fauna, gene pool and other environmental components.

*The information* state's economic security component, in the context of existing internal and external relations, indicates economic activity that results from information exchange reliability, an intangibles assets rising in national assets, and an increase in information. Information security is closely linked to the telecommunication sector and primarily shows telecommunication security.

In examining Kompanejeva G. A. (2016), the object of economic security can be, in addition to the state, the economic system, regions, society, business entities and the individual. The complication of economic security conception makes it possible to define it systematically by dividing that system's elements (see Fig.3).



Šaltinis: Kompanejeva G. A. (2016)

### **Figure 3. Economic security level relation model**

Security threats at the regional level are presented as external and internal. According to the author, internal threats are related to the depreciation of the fixed asset, the regional industrial enterprises' profitability and the lack of budget support. External threats include the regional economy dependence on foreign capital and imports, reduction of regional production, regional separatism. Based on this, the following aspects of economic security in the region are notable: industrial, financial, socio-demographic, informational and other complex types of security. The lower level is represented by two components: the individual and the business entity. Alabiceva (2014), meanwhile, argues that the main unit of economic security is personality. In modern society, intellectual skills play a key role in the countries' economies. On them depends that technological development which determines the production's expansion and rising in surplus-value. Accordingly, there is a direct link between personality growth, company and country development.

So, summarizing the authors analyzed, it can be stated that economic security is a key component of the national security system, which is characterized by the ability of the state's national economy and its regions to ensure stable continuous development and relative protection for both individual and the whole country, in reliance economic methods.

### **Conclusions**

1. Early, the security model was more often based on solid (military) security dimensions, whereas the soft (non-military) dimensions played a limited role. In the modern period of international relations, the roles of both soft and hard dimensions have changed. Analyzing the scientific literature, it should be noted that recently it is implemented into two levels: international and national.
2. Remarkable, that there is no one general definition of economic security. In conclusion, it can be argued, economic security is a situation in which the state can determine the ways and forms of effective development without interference and external pressure.
3. Analysis of the authors dealing with economic security components, it can state that economic security consists of external (technological, commercial and financial) and internal (technical and production, food and raw materials, energy, environment, and information) components. Meanwhile, in addition to the state, the economic system, regions, society, business entities and the individuals can be the economic security objects.

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